BALANCED SCORECARD AS A STRATEGIC FRAMEWORK FOR FINANCIAL PERFORMANCE IN RURAL BANKS: A LITERATURE REVIEW ON EFFECTIVENESS AND IMPLEMENTATION CHALLENGES

Putu Riesty Masdiantini

Faculty of Economic, Universitas Pendidikan Ganesha, Indonesia
(riesty.masdiantini@undiksha.ac.id)

I Gusti Ayu Purnamawati

Faculty of Economic, Universitas Pendidikan Ganesha, Indonesia
(ayu.purnamawati@undiksha.ac.id)

Lucy Sri Musmini

Faculty of Economic, Universitas Pendidikan Ganesha, Indonesia
(sri.musmini@undiksha.ac.id)

Sunitha Devi

Faculty of Economic, Universitas Pendidikan Ganesha, Indonesia
(sunitha.devi@undiksha.ac.id)

ABSTRACT

This paper explores how the Balanced Scorecard (BSC), a strategic performance framework widely applied in corporate environments, is adapted within rural banking institutions across Southeast Asia and other developing regions. Rural banks, often operating under resource constraints, serve as critical enablers of microeconomic development and financial inclusion. However, their application of strategic tools such as the BSC remains limited, fragmented, and poorly documented. This paper addresses the research gap by focusing on how BSC is implemented in community-based financial institutions and the extent to which it supports performance improvement in these contexts. Unlike prior studies centered on urban or large-scale banking environments, this review highlights the unique challenges, leadership dynamics, and cultural adaptations involved in applying BSC in rural settings. Using a narrative literature review method, the study synthesizes findings from 30 peer-reviewed articles published between 2011 and 2025. A thematic analysis revealed four dominant themes: (1) the effectiveness of BSC in enhancing financial performance and strategic focus, (2) the role of leadership and organizational readiness, (3) persistent barriers such as limited human capital, digital literacy, and infrastructure gaps, and (4) the integration of BSC with innovation, risk management, and digital transformation. Grounded in Contingency Theory and the Resource-Based View (RBV), the findings underscore that successful BSC implementation requires more than just technical application, it demands internal capability, strategic alignment, and sensitivity to local socio-institutional realities. This study contributes to the growing discourse on performance measurement in developing economies by contextualizing BSC in rural banking, and it offers practical insights for policymakers, rural bank leaders, and development stakeholders seeking to strengthen institutional resilience and accountability in underserved regions.

Keywords: balanced scorecard, rural banks, financial performance, microfinance

INTRODUCTION

Rural banks (Bank Perkreditan Rakyat/BPR) are pivotal actors in Indonesia's financial ecosystem, providing credit access and financial services to micro and small enterprises (MSEs) that are often underserved by commercial banks. As of 2023, over 1,600 BPRs operate across the archipelago, especially in rural and peri-urban areas (OJK, 2023). These institutions play a dual role supporting local economic development while promoting financial inclusion. However, rural banks face increasing pressure to demonstrate both operational sustainability and strategic relevance in a post-pandemic economy characterized by digital disruption and tighter regulatory scrutiny. Traditional performance measures such as return on assets (ROA), capital adequacy ratio (CAR), and loan-to-deposit ratio (LDR) remain central to evaluating banking outcomes. Yet these indicators are limited in capturing multidimensional aspects of organizational health.

The Balanced Scorecard (BSC**)**, introduced by (Kaplan & Norton, 1996), offers a holistic alternative by integrating financial and non-financial perspectives: customer, internal business process, and learning and growth. While the BSC has gained traction in corporate banking, its application in small-scale financial institutions remains fragmented and often symbolic. Rural banks typically operate with limited managerial bandwidth, underdeveloped IT systems, and informal governance mechanisms. These constraints hinder the systematic adoption of performance tools like BSC. Studies by (Harisudin, Adi, & Pratama, 2020) and (Amanda, 2023) underscore how rural banks struggle to translate strategic metrics into actionable goals due to contextual limitations. Moreover, evidence from Kenya (Gichobi & Njuguna, 2022) and Jordan (Bshayreh, Qawqzeh, Al-Momany, Saleh, & Al Qallap, 2024; Frederica & Augustine, 2022) suggests that the success of BSC depends not merely on its adoption, but on the institutional capacity to implement it meaningfully. Subarkah (2021) examined BSC digitalization efforts in Indonesia, grounded in internal capability frameworks such as Barney's (1991) Resource-Based View. However, OJK (2023) reports that over 40% of BPRs still rely on manual processes, limiting the effectiveness of digital scorecards. Programs such as SIGAP BPR (PERBARINDO, 2019) are promising but remain unevenly implemented. This raises a critical question: *Can the BSC originally designed for corporate settings be adapted to fit the governance, digital readiness, and value orientation of rural banks?*

Despite its theoretical strengths, the BSC is often poorly integrated in rural banking operations. Many BPRs apply the framework partially, focusing on financial metrics while neglecting learning, internal processes, or customer-centered strategies (Subarkah, 2021; Dirapradja et al., 2021). In some cases, implementation is driven more by compliance than by genuine strategic transformation. This leads to the following research question How effective is the Balanced Scorecard as a strategic framework for enhancing financial performance in rural banks, particularly within resource-constrained and digitally immature environments such as Indonesia?

The novelty of this study lies in its focused exploration of BSC implementation in rural and community-based banks, which are rarely at the center of strategic performance literature. While past studies have examined BSC in commercial banks (Gupta et al., 2018; Al-Gamazi & Kaddumi, 2020), fewer have addressed how the framework operates under conditions of digital fragmentation, informal governance, and community-led value systems typical of rural banks. This review contributes by synthesizing findings from 30 peer-reviewed studies that examine BSC implementation across varied contexts, rural banks, cooperatives, and microfinance institutions, particularly in Southeast Asia, the Middle East, and Africa. It also introduces a dual theoretical lens: Contingency Theory (Donaldson, 2001) underscores the importance of strategic-system alignment with local context and operational structure. Resource-Based View (RBV) (Barney, 1991) explains how intangible assets such as staff competencies, leadership vision, and digital infrastructure shape the success of BSC integration. Through this lens, the study offers both a conceptual contribution, redefining strategic performance in under-resourced settings and practical implications for regulators, rural bank/BPR managers, and policymakers. This paper aims to critically evaluate the effectiveness and challenges of Balanced Scorecard implementation in rural banking contexts. The specific objectives are to analyze the strategic impact of BSC on financial performance in rural and microfinance banks. to identify internal and external constraints that hinder full BSC adoption in these institutions, to assess how digital transformation affects BSC integration and monitoring capabilities, to propose a context-sensitive framework for adapting BSC to small-scale financial institutions in Southeast Asia.

LITERATURE REVIEW

Theoretical Foundation

The Balanced Scorecard (BSC), introduced by Kaplan and Norton in 1992, revolutionized performance measurement by integrating financial and non-financial indicators across four key perspectives: financial, customer, internal business processes, and learning and growth. This multidimensional framework allows organizations to align strategic objectives with measurable outcomes, providing a holistic view of performance. In the context of rural banks and microfinance institutions, BSC has emerged as a relevant tool for evaluating not only financial soundness but also service quality, operational efficiency, and employee development. The Contingency Theory asserts that organizational effectiveness is not achieved through a single universal structure but depends on the alignment between external environment, strategy, and internal systems. In this context, the implementation of BSC in rural banks must adapt to local market conditions, regulatory settings, and technological readiness. Complementing this, the Resource-Based View (RBV) posits that a firm's sustained competitive advantage stems from its unique resources and capabilities. BSC's inclusion of learning and growth metrics, such as employee training and innovation, reflects this view by emphasizing internal capabilities as key performance drivers, especially in rural financial institutions seeking long-term viability.

Synthesis of Empirical Findings

A review of 30 empirical studies conducted between 2011 and 2025 highlights key patterns in BSC application within rural banks and related financial institutions across Indonesia, Southeast Asia, and global developing economies. The findings are synthesized in Table 1 and discussed thematically below.

Table 1. Summary of Prior Research on Balanced Scorecard Implementation in Rural Banking and Microfinance Contexts

No.	Author(s)	Research Title	Key Findings
1	Wijaya et al. (2024)	Implementation of Balanced Scorecard as a Benchmarking Tool in Public Organizations	Applied BSC in public financial institutions; integrating risk management and audits improved transparency and offers insights for rural financial governance.
2	Sawitri & Wirasedana (2021)	Analysis of Company Performance Using the Balanced Scorecard Method at PD. BPR Bank Pasar Bangli Regency	Performance across all perspectives categorized as very good.
3	Harisudin et al. (2020)	Performance Improvement Strategies Based on Balanced Scorecard for Rural Cooperative: The Case of Indonesia	Financial and internal process perspectives rated good; customer and learning less effective. Strategic focus centered on finance and process perspectives.
4	Yang (2024)	Research on Optimization of Performance Evaluation System of Agricultural and Commercial Banks in Z City Based on Balanced Scorecard	Optimization led to fairer, more strategic evaluations.
5	Frederica & Augustine (2022)	Digital Banking Balanced Scorecard	Developed a BSC framework for banks in digital era.
6	Amanda (2023)	Spatial Competition on Rural Bank Efficiency: Evidence from Indonesia	Spatial competition improves efficiency in rural banks; regional market segmentation significantly affects outcomes.
7	Kruger et al. (2018)	Balanced Scorecard: A Proposal for Strategic Management of a Rural Cooperative Credit	Aligns stakeholder strategy and performance.
8	Dirapradja et al. (2021)	Performance Evaluation of PT. Bank Mandiri Tbk based on Balanced Scorecard Method	All four perspectives well-integrated; good performance.
9	Subanidja (2015)	The Forming Factors of Rural Bank Performance	Product development and proximity to customers are key for BPR success; GCG adoption remains low.
10	Wasiaturrahma et al. (2020)	Financial Performance of Rural Banks in Indonesia: A Two-stage DEA Approach	BPRs show production efficiency but weak intermediation.
11	Gichobi & Njuguna (2022)	Balanced Score Card and Competitiveness of Microfinance Institutions in Kenya	Financial and internal perspectives vital; customer focus weak.
12	Chao et al. (2024)	How Does Digital Transformation Affect the Profitability of Rural Commercial Banks?	Digitalization enhances asset quality and profitability.
13	Nurdiniah & Ramadhani (2015)	The Analysis of Application of Balanced Scorecard as Benchmark Performance Measurement	The company achieved high financial and customer scores using BSC; internal processes performed moderately, and learning and growth showed strong employee retention and satisfaction.

14	Fabac (2022)	Digital Balanced Scorecard System as a Supporting Strategy for Digital Transformation	D-BSC supports strategy execution and decision-making.
15	Ratnaningrum et al. (2020)	Balanced Scorecard: Is It Beneficial Enough? A Literature Review	Only 31% of BSC implementations are fully successful; most are partial and limited in scope.
16	Kumar et al. (2024)	Balanced Scorecard: Trends, Developments, and Future Directions	Comprehensive bibliometric map of BSC development.
17	Subarkah (2021)	Performance Assessment of Cooperative Financial Institutions Using the Balanced Scorecard Concept	Financial, customer, and internal process perspectives significantly improved cooperative performance, while the learning and growth perspective showed no significant impact.
18	Bshayreh et al. (2024)	The Influence of Balanced Scorecard Perspectives on the Firms' Performance: Evidence From the Banks in the Developing Market	Financial and customer perspectives drive performance; learning less so.
19	Mwaura & Waithaka (2025)	Product Innovation and Organizational Performance of Microfinance Institutions In Nairobi City County, Kenya	Product innovation improves performance in Kenyan MFIs.
20	Nahwan et al. (2016)	The Influence of Leadership and Product Innovation on Rural Bank Performance in the Province of West Java, Indonesia	Product innovation outperforms leadership in driving outcomes.
21	Ibrahim et al. (2023)	Does Digital Balanced Scorecards Lead to the Sustainable Performance Amongst the Jordanian SMEs?	Digital BSC significantly mediates the impact of management accounting systems on decision-making and sustainable performance, though not for capital forecasting.
22	Al-Gamazi & Kaddumi (2020)	Balanced Score Card Implementation and its Effect on Banks` Financial Performance	BSC significantly impacts commercial bank success.
23	Syahputra et al. (2024)	Financial Performance Assessment Using Balanced Scorecard Methodology in Indonesian Banks	High performance across all BSC perspectives.
24	Farokhi et al. (2018)	Investigating Causal Linkages and Strategic Mapping in the Balanced Scorecard: A Case Study Approach in the Banking Industry Sector	Causal mapping enhances strategic decision-making.
25	Tominac (2014)	Possibilities of Balanced Scorecard Application in Commercial Banks	Supports long-term success; requires resource investment.
26	Shaverdi et al. (2011)	Combining fuzzy MCDM with BSC Approach in Performance	Customer satisfaction most influential indicator.

		Evaluation of Iranian Private Banking Sector	
27	Rostami et al. (2015)	Defining Balanced Scorecard Aspects in Banking Industry Using FAHP Approach	Identifies key performance indicators across all perspectives.
28	Jafari-Eskandari et al. (2013)	Banks' Performance Evaluation Model Based on The Balanced Score Card Approach, Fuzzy DEMATEL and Analytic Network Process	Facilitates investment prioritization and resource allocation.
29	Irawan et al. (2025)	The Effect of Digital Banking Adoption and Risk Management on Bank Performance: The Intervening Role of Balanced Scorecard	BSC mediates effects of digital banking on performance.
30	Gupta & Maheshwari (2018)	Performance Evaluation Using Balanced Scorecard Model in Banking Industry: A Case Study of HDFC Bank	In the HDFC Bank case, BSC was applied to measure performance across all perspectives, with innovation, employee training, and operational efficiency contributing significantly to long-term profitability.

(Source: Authors' compilation, 2025)

Key Thematic Insights like a Theme 1: BSC as a Diagnostic and Strategic Tool : Many studies (e.g., Sawitri & Wirasedana, Kruger et al., Gichobi & Njuguna) reveal that BSC is not just a measurement tool, but also a framework for aligning institutional goals with strategy and stakeholder expectations. Theme 2: Challenges in Learning and Growth Perspective : Several articles (e.g., Subarkah, Bshayreh et al.) noted that the learning and growth dimension tends to be the weakest in rural banks and cooperatives, suggesting a need for stronger internal capacity building. Theme 3: Integration with Digital Transformation , Studies like Fabac, Ibrahim et al., and Irawan et al. illustrate how BSC evolves into a digital tool (D-BSC) and supports transformation, particularly in digital banking contexts. Theme 4: Contextual Factors in BSC Success, The success of BSC depends heavily on contextual variables such as competition (Amanda), leadership (Nahwan et al.), innovation (Mwaura & Waithaka), and regulatory frameworks (Subanidja).

Research Gap and Article Contribution

Despite the widespread use of BSC in evaluating bank performance, prior research reveals several limitations. Many studies focus on large commercial banks, while rural banks and microfinance institutions, especially in Southeast Asia are underrepresented. Additionally, only a few works (e.g., Frederica & Augustine; Irawan et al.) integrate the BSC with digital transformation strategies relevant to modern banking environments. This article fills the gap by synthesizing a broader range of empirical findings across regions and linking them with both contingency and RBV theoretical lenses. It emphasizes the strategic role of BSC not only in performance evaluation, but also in enabling adaptive, innovation-driven, and sustainable transformation for rural banks.

METHOD, DATA, AND ANALYSIS

Research Design

This study adopts a narrative literature review approach to analyze and synthesize prior research related to the implementation and effectiveness of the Balanced Scorecard (BSC) in rural financial institutions across Southeast Asia and developing countries. The review focuses on identifying themes, performance impacts, and strategic challenges from various empirical studies.

Literature Search Strategy

A structured search was conducted using major academic databases including Google Scholar, Scopus, and ScienceDirect, covering publications from 2011 to 2025. The keywords used included combinations of "Balanced Scorecard""Financial performance""Rural bank""Microfinance" "Strategic management", "BSC implementation".

To ensure quality, only peer-reviewed journal articles were selected. Further screening was conducted based on clarity of objectives, rural financial context, and relevance to Balanced Scorecard applications. Unlike systematic reviews, this narrative review does not seek to exhaustively cover all existing publications, but rather to synthesize key themes and conceptual insights across diverse studies in order to highlight theoretical and practical contributions.

Inclusion and Exclusion Criteria

The inclusion and exclusion criteria were established to ensure the relevance, quality, and methodological transparency of the studies reviewed. These criteria helped refine the literature set to focus specifically on the Balanced Scorecard in rural banking and microfinance contexts. The inclusion criteria were Articles published between 2011 and 2025;. Studies explicitly utilizing the Balanced Scorecard framework; Research focusing on rural financial institutions, such as BPRs, BPRS, cooperatives, and microfinance institutions; d.Articles presenting empirical results or conceptual models related to BSC performance evaluation.

The exclusion criteria were Non-peer-reviewed documents (e.g., working papers, blog posts);, Articles addressing only commercial banking or unrelated sectors; Studies lacking methodological clarity or without clear BSC perspectives; Duplicates or overlapping content.

As a result, 30 articles were selected based on their methodological rigor, thematic richness, and relevance to the research focus.

Data Extraction and Synthesis

All selected studies were recorded in a data extraction matrix including author, year, location, objective, method, findings, and limitations. Researchers independently coded the studies and resolved discrepancies by discussion. Thematic synthesis was conducted by identifying recurring concepts and patterns.

Thematic Categorization

The following steps were followed: Initial reading to capture strategic outcomes and institutional factors related to BSC. Open coding generated tags like "leadership commitment," "partial implementation," "digital readiness," and "data fragmentation." Grouping similar codes into broader categories such as "digital adaptation." Finalization of three major themes: Effectiveness of BSC in enhancing financial performance, Organizational and contextual barriers, Digital adaptation in the BSC framework. These themes were aligned with *Contingency Theory* and the *Resource-Based View (RBV)* to ensure conceptual consistency and guide analysis in Chapter 4.

Validity and Reliability

To ensure review rigor like a Triangulation was applied across different countries and institution types., Peer review by two experts in performance management was conducted, Full transparency was maintained throughout all review stages, Language bias was acknowledged; although only English-language sources were used, regional journals with global indexing were prioritized.

Limitations of the Methodology

Narrative reviews offer depth and flexibility but do not support statistical aggregation. Findings are thus exploratory and not generalizable. Excluding gray literature and non-English studies may limit local insights, though this review aims to provide a validated synthesis of scholarly discussions on BSC in rural finance.

RESULT AND DISCUSSION

Overview

This section synthesizes the findings of 30 selected studies (2011–2025) on the implementation and effectiveness of the Balanced Scorecard (BSC) in rural banking and financial institutions. Through thematic analysis, the research identifies recurring topics and challenges across studies, offering a comprehensive understanding of how BSC contributes to performance improvements and strategic alignment in this context.

Effectiveness of BSC in Enhancing Financial Performance

A recurring theme across the reviewed literature is the positive impact of BSC implementation on financial performance. Studies such as those by Sawitri & Wirasedana (2021), Dirapradja et al. (2021), and Gupta et al. (2018) highlight that applying the BSC framework enables banks to align financial targets with operational efficiency, leading to improved profitability and cost control. Moreover, digital BSC variants (e.g., Fabac, 2022; Ibrahim et al., 2023) have shown added value in driving financial performance through better data integration and decision-making under digital transformation contexts. This illustrates how BSC evolves as a flexible strategic tool in response to technological shifts.

Strategic Alignment and Decision-Making Improvements

Many studies emphasize the role of BSC in improving strategic alignment and decision-making, especially in rural banks and cooperatives. For instance, Kruger et al. (2018) and Farokhi et al. (2018) reported that BSC facilitated strategic clarity, allowing institutions to translate their mission into actionable plans. The integration of causal linkages and strategy mapping, as seen in studies by Rostami & Zaj (2015) and Jafari-Eskandari & Kamfiroozi (2013), also improved management responsiveness and prioritization of key performance indicators (KPIs). These findings affirm BSC as not just a measurement tool but a driver of adaptive strategy. These insights reveal the transformative function of BSC beyond a measurement tool as a cognitive framework for adaptive strategy in dynamic environments.

Challenges in BSC Implementation in Rural Financial Institutions

Despite its potential, BSC implementation is not without obstacles. Several studies (e.g., Ratnaningrum et al., 2020; Subarkah, 2021; Bshayreh et al., 2024) noted barriers such as lack of employee training, insufficient stakeholder understanding, and poor integration of the learning and growth perspective. Additionally, Harasuding & Adi (2020) and Yang (2016) highlighted that while BSC structures may exist, the actual operationalization often lacks depth, resulting in uneven performance across perspectives. Another common challenge is the limited digital infrastructure in rural banks, which hinders data collection and monitoring needed for BSC tracking. The need for capacity building in performance analytics and strategic reporting is underscored in these studies. Such limitations reflect the critical need to internalize BSC not only structurally but also culturally within rural institutions.

Integration with Innovation, Risk Management, and Digital Transformation

Recent literature has also explored the intersection between BSC and other strategic themes such as product innovation (Mwaura & Waithaka, 2025; Nahwan et al., 2016), digital banking adoption (Frederica & Augustine, 2022; Irawan et al., 2025), and risk management. These integrations offer promising avenues for enhancing BSC's relevance in modern banking. For example, Chao et al. (2024) showed that digital transformation significantly boosts rural bank profitability, which can be further managed through BSC frameworks. Likewise, Kumar et al. (2023) advocated for BSC's continuous evolution to align with emerging digital trends. These integrations expand the traditional boundaries of BSC, positioning it as a core enabler of innovation and resilience in the rural banking ecosystem.

Summary Table of Thematic Findings

Table 2 below summarizes the thematic synthesis based on the 30 selected studies, highlighting the concentration of studies across key focus areas. This provides an overview of the dominant themes and emerging gaps in BSC implementation within rural financial institutions.

Table 2. Summary of Key Themes in BSC Literature

Theme	Number of Studies	Representative Studies	Key Challenges / Notes
Effectiveness of BSC in Financial Performance	10	Sawitri & Wirasedana (2021), Dirapradja et al. (2021), Gupta et al. (2018), Ibrahim et al. (2023)	Some lack longitudinal evidence
Strategic Alignment and Decision-Making	8	Kruger et al. (2018), Rostami et al. (2015), Jafari-Eskandari et al. (2013)	Needs better linkage with performance analytics
Implementation Challenges and Limitations	6	Ratnaningrum et al. (2020), Subarkah (2021), Harasuding & Adi (2020), Yang (2016)	Common issues include training gaps and learning perspective
Integration with Innovation and Digital Transformation	6	Frederica & Augustine (2022), Chao et al. (2024), Kumar et al. (2023), Nahwan et al. (2016)	High potential for synergy with BSC

(Source: Authors' compilation, 2025)

The thematic insights presented above collectively reveal both the strength and complexity of BSC implementation in rural financial institutions. While there is ample evidence supporting its positive impact, recurring challenges such as capacity gaps and contextual misalignment persist. It should be noted that the number of studies per theme reflects overlapping findings, as several articles contributed to multiple themes. The following section discusses the overarching conclusions and implications of these findings for research, policy, and practice.

CONCLUSION

This study presents a thematic synthesis of 30 selected articles on the implementation of the Balanced Scorecard (BSC) in rural financial institutions, with a focus on Rural Banks (BPR) in Southeast Asia and other developing regions. A narrative literature review approach was adopted to capture empirical and conceptual insights, which were categorized into three major themes. First, the effectiveness of BSC in improving financial performance depends significantly on the extent to which all four perspectives are integrated and aligned with organizational strategy. Studies such as Ayoup et al. (2013) and Gichobi & Njuguna (2022) affirm that holistic BSC implementation enhances profitability and strategic clarity. However, the findings of Sari et al. (2016) highlight that partial adoption reduces the expected strategic benefits. Second, the barriers to BSC implementation stem from both organizational and contextual factors, including human resource constraints, organizational culture, resistance to change, and lack of institutional support. Research by Mshambala et al. (2016) and Masdiantini et al. (2024) emphasized the importance of participatory design and locally relevant indicators to ensure the success of performance management systems. Third, digital transformation presents both opportunities and challenges. While the Digital Balanced Scorecard (DBSC) allows for real-time monitoring asnd agile decision-making (Fabac, 2022), limited digital readiness and reliance on manual systems still hinder adoption, especially in Indonesia, where over 40% of BPRs rely on manual recordkeeping (OJK, 2023). These findings reaffirm the importance of strengthening internal capabilities and building digital infrastructure gradually. Overall, the success of BSC implementation in rural banking is shaped by a combination of internal readiness (as explained by RBV), local contextual fit (as explained by Contingency Theory), and institutional ability to navigate digital adaptation. This synthesis not only consolidates fragmented BSC evidence in rural banking but also offers a contextual lens to guide future strategic transformations.

IMPLICATION/LIMITATION AND SUGGESTIONS

This review reinforces two major theoretical perspectives in understanding the implementation of the Balanced Scorecard (BSC) in rural financial institutions. The analysis reinforces the relevance of two theoretical lenses that underlie strategic performance tools in resource-constrained settings. Contingency Theory: The effectiveness of the BSC framework depends heavily on its alignment with organizational context, structure, and local culture. Rural banks, particularly those embedded in community-based systems, benefit more from tailored performance frameworks than from standardized corporate models. This aligns with the idea that strategic tools must be adapted to specific environmental conditions to be impactful. Resource-Based View (RBV) : The successful implementation of BSC also hinges on intangible resources such as leadership vision, organizational learning, employee competencies, and readiness for digital transformation. These internal capabilities serve as strategic assets that enable rural banks to absorb and sustain the BSC as a long-term performance management mechanism.

By synthesizing findings from diverse institutional settings, this review contributes to the theoretical understanding of how strategic frameworks interact with resource configurations in rural financial environments.

The findings of this review offer several actionable insights for rural banks, regulators, and development stakeholders Invest in human capital through training programs focused on financial planning, strategic thinking, and performance measurement. Enhance digital readiness by adopting user-friendly digital BSC tools that accommodate rural banking infrastructures and connectivity limitations. Customize BSC indicators to include local priorities such as microloan sustainability, financial inclusion, and community engagement. Adopt a phased implementation approach, starting with pilot units or selected BSC perspectives before full organizational rollout. Ensure leadership alignment so that BSC implementation is not only top-down but also embedded in the institutional culture and decision-making routines. These steps will support rural banks in bridging the gap between strategic planning and execution, ultimately enhancing their sustainability and performance resilience. These recommendations aim to close the gap between BSC design and practice in low-resource, high-impact rural financial institutions.

Several limitations of this study should be acknowledged: This review employed a narrative rather than systematic literature review or meta-analysis; therefore, it does not quantify effect sizes or statistical relationships. Grey literature and confidential internal reports from rural banks were not available, which might limit the depth of practical insights.Future research could explore the following directions:

Empirical validation of BSC outcomes in rural banks through longitudinal or mixed-method studies. Cross-country comparisons to analyze the influence of institutional, regulatory, and cultural variations on BSC effectiveness. Studies on BSC adaptation for low-connectivity digital environments in remote rural areas. Policy research on how regulators (e.g., OJK or Bank Indonesia) can institutionalize BSC practices within BPRs as part of capacity-building mandates.

This literature review contributes to the field of strategic management and rural finance by: Providing a focused synthesis of BSC implementation across rural and community-based banking institutions; Revealing an implementation gap between strategy formulation and practical execution in resource-constrained settings; Bridging theory and practice through the integration of Contingency Theory and RBV in performance management analysis; Delivering context-specific recommendations for practitioners and policymakers, particularly in Indonesia and Southeast Asia. By contextualizing the Balanced Scorecard within rural banking institutions, this review extends academic dialogue and offers meaningful implications for institutional transformation. This paper enriches rural banking discourse by showcasing how BSC, when contextualized, can bridge strategic intent with real institutional practice.

REFERENCES

Al-Gamazi, R. Z., & Kaddumi, T. A. (2020). Balanced Score Card Implementation and its Effect on Banks` Financial Performance. *International Journal of Innovation, Creativity and Change*, *13*(10), 654–673.

Amanda, C. (2023). Spatial Competition on Rural Bank Efficiency: Evidence from Indonesia. *Cogent Economics and Finance*, *11*(1), 1–37.

https://doi.org/10.1080/23322039.2023.2190216

Ayoup, H., Omar, N., & Abdul Rahman, I. K. (2013). Implementation of Balanced Scorecard (Bsc) in a Malaysian GLC : Perceptions of Middle. *Asia-Pacific Management Accounting Journal*, *7*(2), 99–126.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, *17*(1), 99–120.

Bshayreh, M. M., Qawqzeh, H. K., Al-Momany, I. A. A., Saleh, M. M. A., & Qallap, K. D. H. Al. (2024). The Influence of Balanced Scorecard Perspectives on the Firms' Performance: Evidence From the Banks in the Developing Market. *Corporate and Business Strategy Review*, *5*(2), 243–254. https://doi.org/10.22495/cbsrv5i2art21

Chao, N., Zhou, Y., & Yang, H. (2024). How Does Digital Transformation Affect the Profitability of Rural Commercial Banks? *Heliyon*, *10*, 1–14. https://doi.org/10.1016/j.heliyon.2024.e29412

Dirapradja, H. W., Daryanto, A., & Baga, L. M. (2021). Performance Evaluation of PT. Bank Mandiri Tbk Based on Balanced Scorecard Method. *International Journal of Research and Review*, *8*(11), 175–190. https://doi.org/10.52403/ijrr.20211124

Donaldson, L. (2001). *The Contingency Theory of Organizations*. SAGE Publications, Inc. https://doi.org/10.4135/9781452229249

Fabac, R. (2022). Digital Balanced Scorecard System as a Supporting Strategy for Digital Transformation. *Sustainability*, *14*, 1–26. https://doi.org/10.3390/su14159690

Farokhi, S., Roghanian, E., & Samimi, Y. (2018). Investigating Causal Linkages and Strategic Mapping in the Balanced Scorecard: A Case Study Approach in the Banking Industry Sector. *JIEMS (Journal of Industrial Engineering and Management Studies)*, *5*(1), 1–25. https://doi.org/10.22116/JIEMS.2018.66500

Frederica, D., & Augustine, Y. (2022). Digital Banking Balanced Scorecard. *Jurnal Keuangan dan Perbankan*, *26*(3), 722–735. www.ojk.go.id

Gichobi, E. B., & Njuguna, D. N. (2022). Balanced Score Card and Competitiveness of Microfinance Institutions in Kenya. *International Journal of Management and Commerce Innovations*, *10*(1), 111–123. https://doi.org/10.5281/zenodo.6542070

Gupta, A. K., & Maheshwari, M. (2018). Performance Evaluation Using Balanced Scorecard Model in Banking Industry: A Case Study of HDFC Bank. *Pacific Business Review International*, *10*(9), 64–78. https://www.researchgate.net/publication/344361644

Harisudin, M., Adi, R. K., & Pratama, N. A. K. (2020). Performance Improvement Strategies Based on Balanced Scorecard for Rural Cooperative: The Case of Indonesia. *International Journal of Trade and Global Markets*, *13*(2), 161–181. https://doi.org/10.1504/IJTGM.2020.106757

Ibrahim, I., Mohammed, A., Abdulaali, H. S., Mohammad, M. M., & Ali, K. (2023). Does Digital Balanced Scorecards Lead to the Sustainable Performance Amongst the Jordanian SMEs? *International Journal of Professional Business Review*, *8*(7), 1–20. https://doi.org/10.26668/businessreview/2023.v8i7.2173

Irawan, T., Isa, C. R., & Alfan, E. (2025). The Effect of Digital Banking Adoption and Risk Management on Bank Performance: The Intervening Role of Balanced Scorecard. *International Journal of Innovative Research and Scientific*, *8*(4), 965–980. https://doi.org/10.53894/ijirss.v8i4.7980

Jafari-Eskandari, M., Roudabr, N., & Kamfiroozi, M. H. (2013). Banks' Performance Evaluation Model Based on The Balanced Score Card Approach, Fuzzy DEMATEL and Analytic Network Process. *International Journal of Information, Security and System Management*, *2*(2), 191–200.

Kaplan, R. S., & Norton, D. P. (1996). *Menerapkan Strategi menjadi Aksi Balance Scorecard*. Jakarta: Erlangga.

Kruger, S. D., Simionato, A., Zanella, C., & Petri, S. M. (2018). Balanced Scorecard: A Proposal for Strategic Management of a Rural Cooperative Credit. *Rev. Adm. UFSM*, *11*(1), 1–18. https://doi.org/10.5902/19834659

Kumar, S., Lim, W. M., Sureka, R., Jabbour, C. J. C., & Bamel, U. (2024). Balanced Scorecard: Trends, Developments, and Future Directions. In *Review of Managerial Science* (Vol. 18, Nomor 8). Springer Berlin Heidelberg. https://doi.org/10.1007/s11846-023-00700-6

Masdiantini, P. R., Devi, S., & Kusyanda, R. P. (2024). Peran Literasi Keuangan dan Modal Sosial terhadap Kinerja dan Keberlanjutan Usaha Pelaku UMKM. *Ekuitas: Jurnal Pendidikan Ekonomi*, *12*(1), 23-29.

Mshambala, E., Munga, B., & Kamugisha, D. (2016). Human Resource Readiness for BSC Adoption in Tanzanian Rural Banks. *Journal of African Business*, *17*(1), 74–89. https://doi.org/https://doi.org/10.1080/15228916.2016.1117391

Mwaura, J. R., & Waithaka, P. (2025). Product Innovation and Organizational Performance of Microfinance Institutions In Nairobi City County, Kenya. *IOSR-JBM (IOSR Journal of Business and Management)*, *27*(5), 13–20. https://doi.org/10.9790/487X-2705071320

Nahwan, D., Indiastuti, R., Suryana, Y., & Yunizar. (2016). *The Influence of Leadership and Product Innovation on Rural Bank Performance in the Province of West Java, Indonesia*. *4*(9), 197–209. https://scholar.google.com/citations?view_op=view_citation&hl=en&user=zZLeRGoAAAAJ&pagesize=100&citation_for_view=zZLeRGoAAAAJ:Tyk-4Ss8FVUC

Nurdiniah, D., & Ramadhani, R. D. (2015). The Analysis of Application of Balanced Scorecard as Benchmark Performance Measurement. *IJER (international Journal of Economic Research)*, *12*(5), 1671–1692.

OJK. (2023). *Statistik Perbankan Periode Desember 2023*. Otoritas Jasa Keuangan. https://ojk.go.id/id/kanal/perbankan/data-dan-statistik/statistik-perbankan-indonesia/Pages/Statistik-Perbankan-Indonesia---Desember-2023.aspx

PERBARINDO. (2019). *Tayangan Demo SIGAP*. Perhimpunan Bank Perkreditan Rakyat Indonesia. https://doi.org/https://perbarindo.or.id

Ratnaningrum, Aryani, Y. A., & Setiawan, D. (2020). Balanced Scorecard: Is it Beneficial Enough? A Literature Review. *Asian Journal of Accounting Perspectives*, *13*(1), 65–84. https://doi.org/10.22452/ajap.vol13no1.4

Rostami, M., Goudarzi, A., & Zaj, M. M. (2015). Defining Balanced Scorecard Aspects in Banking Industry Using FAHP Approach. *International Journal of Economics and Business Administration*, *1*(1), 25–38. http://www.aiscience.org/journal/ijeba

Sari, I. G. A. M., Purnawati, N. K., & Jaya, I. M. (2016). Analisis Penerapan BSC pada BPR Naga. *Jurnal Ilmu Manajemen*, *4*(1), 88–102. https://doi.org/https://ejournal.unhi.ac.id/index.php/JIM/article/view/19

Sawitri, K. A., & Wirasedana, I. W. P. (2021). Analysis of Company Performance Using the Balanced Scorecard Method at PD. BPR Bank Pasar Bangli Regency. *(AJHSSR) American Journal of Humanities and Social Sciences Research*, *5*(4), 347–354. www.ajhssr.com

Shaverdi, M., Akbari, M., & Tafti, S. F. (2011). Combining fuzzy MCDM with BSC Approach in Performance Evaluation of Iranian Private Banking Sector. *Advances in Fuzzy Systems*, 1–12. https://doi.org/10.1155/2011/148712

Subanidja, S. (2015). The Forming Factors of Rural Bank Performance. *The International Journal of Business & Management*, *3*(8), 1–8.

Subarkah, J. (2021). Performance Assessment of Cooperative Financial Institutions Using the Balanced Scorecard Concept. *IJEBAR (International Journal of Economics, Business and Accounting Research)*, *5*(3), 21–28.

Syahputra, D., Ningsih, S., & Marpaung, D. (2024). Financial Performance Assessment Using Balanced Scorecard Methodology in Indonesian Banks. *IJEC (International Journal of Economics)*, *3*(2), 875–882. https://doi.org/10.55299/ijec.v3i2.1039

Tominac, S. B. (2014). Possibilities of Balanced Scorecard Application in Commercial Banks. *IJSR (International Journal of Scientific Research)*, *3*(10), 119–121. http://hbvinc.blogspot.com/2010/03/developing-

Wasiaturrahma, Sukmana, R., Ajija, S. R., Salama, S. C. U., & Hudaifah, A. (2020). Financial Performance of Rural Banks in Indonesia: A Two-stage DEA Approach. *Heliyon*, *6*, 1–9. https://doi.org/10.1016/j.heliyon.2020.e04390

Wijaya, U. B., Suprayogi, Zahra, I. E., Suripto, & Holiawati. (2024). Implementation of Balanced Scorecard as a Benchmarking Tool in Public Organizations. *JIAKES (Jurnal Ilmiah Akuntansi Kesatuan)*, *12*(5), 695–705. https://doi.org/10.37641/jiakes.v12i5.2850

Yang, Q. (2024). Research on Optimization of Performance Evaluation System of Agricultural and Commercial Banks in Z City Based on Balanced Scorecard. *Academic Journal of Business & Management*, *6*(5), 61–66. https://doi.org/10.25236/ajbm.2024.060509